

### Agency Proposed Budget

The following table summarizes the total executive budget proposal for the agency by year, type of expenditure, and source of funding.

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	168.90	5.00	0.00	173.90	5.00	0.00	173.90	173.90
Personal Services	7,048,318	1,003,190	0	8,051,508	1,009,846	0	8,058,164	16,109,672
Operating Expenses	6,819,064	1,649,835	0	8,468,899	1,738,344	0	8,557,408	17,026,307
Equipment	90,923	0	75,000	165,923	0	0	90,923	256,846
Capital Outlay	0	0	0	0	0	0	0	0
Grants	1,039,597	0	0	1,039,597	0	0	1,039,597	2,079,194
Benefits & Claims	2,280	0	0	2,280	0	0	2,280	4,560
<b>Total Costs</b>	<b>\$15,000,182</b>	<b>\$2,653,025</b>	<b>\$75,000</b>	<b>\$17,728,207</b>	<b>\$2,748,190</b>	<b>\$0</b>	<b>\$17,748,372</b>	<b>\$35,476,579</b>
General Fund	4,111,558	264,441	0	4,375,999	255,383	0	4,366,941	8,742,940
State/Other Special	542,203	367,773	75,000	984,976	440,497	0	982,700	1,967,676
Federal Special	10,346,421	2,020,811	0	12,367,232	2,052,310	0	12,398,731	24,765,963
<b>Total Funds</b>	<b>\$15,000,182</b>	<b>\$2,653,025</b>	<b>\$75,000</b>	<b>\$17,728,207</b>	<b>\$2,748,190</b>	<b>\$0</b>	<b>\$17,748,372</b>	<b>\$35,476,579</b>

### Agency Description

The Department of Military Affairs, administered by the Adjutant General, oversees activities of the Air and Army National Guard, Disaster and Emergency Services, and the National Guard (NG) Youth Challenge program. The Montana Board of Veterans' Affairs is administratively attached to the department. The department, through the Army and Air National Guard, manages a joint federal-state program to maintain trained and equipped military organizations in readiness for state and national mobilizations to active duty.

The Disaster and Emergency Services Division plans for and coordinates state responses in disaster and emergency situations. The Board of Veterans' Affairs manages and cooperates with state and federal agencies in providing statewide services for discharged veterans and their families, and is responsible for the two state veterans' cemeteries. The NG Youth Challenge program provides a military-modeled youth intervention program with a goal of improving the life coping skills and employability of high school dropouts.

### Agency Highlights

Department of Military Affairs Major Budget Highlights	
<ul style="list-style-type: none"> <li>Funding for the National Guard Scholarship Program is discontinued.</li> <li>Increases of \$5.4 million over the biennium consist of a 75 percent increase in federal funds and a 15 percent increase in state special and 10 percent increase in general fund. These increases are primarily due to: <ul style="list-style-type: none"> <li>The opening of 10 new facilities or additions in the Army National Guard for utilities, janitorial services, and added maintenance personnel</li> <li>Continued federal funding authority for the distance learning network and the Army National Guard communication backbone</li> <li>Increased air guard security and fire fighter overtime</li> </ul> </li> </ul>	

- Ongoing operations, maintenance, and repair costs at existing facilities
- Increase in personal services resulting from statewide present law adjustments

#### Major LFD Issues

- Ongoing implementation and costs associated with the Montana distance learning system
- All homeland security funding would be added through budget amendment in the interim without legislative input

### Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Executive Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Centralized Services Division	\$ 890,409	\$ -	\$ 387,212	\$ 1,277,621	4%
02 Challenge Program	2,251,360	-	3,377,038	5,628,398	16%
12 Army National Guard Pgm	2,407,528	127,600	11,950,200	14,485,328	41%
13 Air National Guard Pgm	623,126	-	5,486,346	6,109,472	17%
21 Disaster & Emergency Services	1,251,161	28,874	3,565,167	4,845,202	14%
31 Veterans Affairs Program	1,319,356	1,811,202	-	3,130,558	9%
Grand Total	<u>\$ 8,742,940</u>	<u>\$ 1,967,676</u>	<u>\$ 24,765,963</u>	<u>\$ 35,476,579</u>	<u>100%</u>

### Biennium Budget Comparison

The following table compares the executive budget request in the 2007 biennium with the 2005 biennium by type of expenditure and source of funding. The 2005 biennium consists of actual FY 2004 expenditures and FY 2005 appropriations.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	Present Law Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Biennium Fiscal 04-05	Total Exec. Budget Fiscal 06-07
FTE	173.90	0.00	173.90	173.90	0.00	173.90	168.90	173.90
Personal Services	8,051,508	0	8,051,508	8,058,164	0	8,058,164	14,229,958	16,109,672
Operating Expenses	8,468,899	0	8,468,899	8,557,408	0	8,557,408	14,622,003	17,026,307
Equipment	90,923	75,000	165,923	90,923	0	90,923	143,465	256,846
Capital Outlay	0	0	0	0	0	0	0	0
Grants	1,039,597	0	1,039,597	1,039,597	0	1,039,597	4,642,748	2,079,194
Benefits & Claims	2,280	0	2,280	2,280	0	2,280	4,560	4,560
Total Costs	\$17,653,207	\$75,000	\$17,728,207	\$17,748,372	\$0	\$17,748,372	\$33,642,734	\$35,476,579
General Fund	4,375,999	0	4,375,999	4,366,941	0	4,366,941	8,306,330	8,742,940
State/Other Special	909,976	75,000	984,976	982,700	0	982,700	1,842,848	1,967,676
Federal Special	12,367,232	0	12,367,232	12,398,731	0	12,398,731	23,493,556	24,765,963
Total Funds	\$17,653,207	\$75,000	\$17,728,207	\$17,748,372	\$0	\$17,748,372	\$33,642,734	\$35,476,579

### New Proposals

The “New Proposal” table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 16 - Purchase a Mobile Veterans Service Van - OTO										
31	0.00	0	75,000	0	75,000	0.00	0	0	0	0
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$75,000</b>	<b>\$0</b>	<b>\$75,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Proposed Budget**

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	9.20	0.00	0.00	9.20	0.00	0.00	9.20	9.20
Personal Services	525,039	13,938	0	538,977	12,668	0	537,707	1,076,684
Operating Expenses	50,742	48,335	0	99,077	46,558	0	97,300	196,377
Benefits & Claims	2,280	0	0	2,280	0	0	2,280	4,560
<b>Total Costs</b>	<b>\$578,061</b>	<b>\$62,273</b>	<b>\$0</b>	<b>\$640,334</b>	<b>\$59,226</b>	<b>\$0</b>	<b>\$637,287</b>	<b>\$1,277,621</b>
General Fund	427,128	25,263	0	452,391	10,890	0	438,018	890,409
Federal Special	150,933	37,010	0	187,943	48,336	0	199,269	387,212
<b>Total Funds</b>	<b>\$578,061</b>	<b>\$62,273</b>	<b>\$0</b>	<b>\$640,334</b>	<b>\$59,226</b>	<b>\$0</b>	<b>\$637,287</b>	<b>\$1,277,621</b>

**Program Description**

The Centralized Services Division provides departmental administration through the Office of the Adjutant General and department-wide support for accounting, fiscal management, personnel, labor relations, and purchasing and property management oversight. The program operates in accordance with Title 2, Chapter 15, part 12 and Title 10, MCA.

**Program Highlights**

Centralized Services Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>Increases in the budget are primarily due to statewide present law adjustments and fixed costs increases assessed by the Department of Administration</li> </ul>	

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Centralized Services Div						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 427,128	73.9%	\$ 452,391	70.6%	\$ 438,018	68.7%
03132 National Guard	134,614	23.3%	171,624	26.8%	182,950	28.7%
03134 Disaster & Emergency Services	16,319	2.8%	16,319	2.5%	16,319	2.6%
Grand Total	<u>\$ 578,061</u>	<u>100.0%</u>	<u>\$ 640,334</u>	<u>100.0%</u>	<u>\$ 637,287</u>	<u>100.0%</u>

The Centralized Services Division is primarily funded with general fund. The federal/state agreement between Military Affairs and the associated federal agencies have identified certain personal service costs of positions that provide support to federally funded activities as applicable for federal funding. During the base year, federal funds accounted for approximately 26 percent of the funding for the division. In the 2007 biennium, the percentage would increase to 30.3 percent.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				36,395					35,070
Vacancy Savings				(22,457)					(22,402)
Inflation/Deflation				(13)					(12)
Fixed Costs				48,348					46,570
<b>Total Statewide Present Law Adjustments</b>				\$62,273					\$59,226
 Grand Total All Present Law Adjustments				\$62,273					\$59,226

### Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	47.40	1.00	0.00	48.40	1.00	0.00	48.40	48.40
Personal Services	1,677,363	73,240	0	1,750,603	72,358	0	1,749,721	3,500,324
Operating Expenses	1,084,380	(17,372)	0	1,067,008	(23,314)	0	1,061,066	2,128,074
<b>Total Costs</b>	<b>\$2,761,743</b>	<b>\$55,868</b>	<b>\$0</b>	<b>\$2,817,611</b>	<b>\$49,044</b>	<b>\$0</b>	<b>\$2,810,787</b>	<b>\$5,628,398</b>
General Fund	1,107,616	19,429	0	1,127,045	16,699	0	1,124,315	2,251,360
Federal Special	1,654,127	36,439	0	1,690,566	32,345	0	1,686,472	3,377,038
<b>Total Funds</b>	<b>\$2,761,743</b>	<b>\$55,868</b>	<b>\$0</b>	<b>\$2,817,611</b>	<b>\$49,044</b>	<b>\$0</b>	<b>\$2,810,787</b>	<b>\$5,628,398</b>

### Program Description

The Montana National Guard Youth Challenge Program is a volunteer program for youth ages 16 to 18 who have stopped attending secondary school before graduating. Challenge is a 17-month, voluntary two-phased military modeled training program targeting unemployed drug-free and law-free high school dropouts. The program provides an opportunity for high school, at risk youth to enhance their life skills, increase their educational levels, and their employment potential. Phase I of the program is a 22-week residential stay on the campus of Western Montana College of the University of Montana in Dillon focusing on physical training, classroom instruction, personal development, and life skills. Phase II is a year-long mentoring relationship with a specially-trained member of the community where the youth resides to provide a positive role model and to assist the student in gaining employment or enrolling in post-secondary schooling.

### Program Highlights

Challenge Program Major Budget Highlights	
<ul style="list-style-type: none"> <li>Increases in the budget are primarily due to adding a permanent substitute teacher in the Youth Challenge program and statewide present law adjustments</li> </ul>	

### Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Challenge Program						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 1,107,616	40.1%	\$ 1,127,045	40.0%	\$ 1,124,315	40.0%
03132 National Guard	<u>1,654,127</u>	<u>59.9%</u>	<u>1,690,566</u>	<u>60.0%</u>	<u>1,686,472</u>	<u>60.0%</u>
Grand Total	<u>\$ 2,761,743</u>	<u>100.0%</u>	<u>\$ 2,817,611</u>	<u>100.0%</u>	<u>\$ 2,810,787</u>	<u>100.0%</u>

The Youth Challenge Program is funded with general fund and federal special revenue at a 60/40 federal to state funding ratio. The federal-level National Guard Bureau established the program at an original split of 75/25 federal/state match in 1998, with the state percentage to increase by 5 percent each year until fiscal year 2002, at which time the state match became 40 percent.

### LFD COMMENT

The Fifty-sixth Legislature established a volunteer residential program, housed on the campus of Western Montana College in Dillon. The Montana Youth Challenge program was established for youths ages 16-18 who have dropped out of high school, are drug free, a resident of Montana, and uninvolved with the legal system. The intent of the challenge program is to improve the life skills and employment potential of high school dropouts through a structured environment based on military training. The program provides education assistance in a residential environment followed by 12 months of mentoring support. The eight core components employed in the Challenge program are leadership, community service (each student has to complete 40 hours), job skills, academic excellence, citizenship, life coping, health and nutrition, and physical fitness.

Congress authorized the program in 1993, granting the National Guard the task of conducting the program. Each state is to determine the number of participants it will target for enrollment with a minimum required from the National Guard of 100 students per class. In turn, the National Guard Bureau provides 60 percent of the funding for the program, but will not provide funding for a program with a target enrollment fewer than 100 graduates per class. Montana Youth Challenge's target graduation number is 100 students per class, or 200 per year. Montana Challenge meets the minimum number of students to maintain the required base level set by the National Guard because Montana has a low number of high school drop-outs (approximately 2,100 a year), while the national average for all Youth Challenge states is 14,000 students. The cost per student is the same since inception (1999) at \$14,000 per student per year. The annual budget for 100 students graduating twice a year is \$2.8 million. The current match is 60 percent federal or \$1.7 million and 40 percent general fund or \$1.1 million.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				107,520					106,717	
Vacancy Savings				(71,395)					(71,367)	
Fixed Costs				(17,372)					(23,314)	
<b>Total Statewide Present Law Adjustments</b>				<b>\$18,753</b>						<b>\$12,036</b>
DP 2 - Make ChalleNGe modified positions permanent	1.00	14,846	0	22,269	1.00	14,803	0	22,205	37,008	
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>\$14,846</b>	<b>\$0</b>	<b>\$22,269</b>	<b>1.00</b>	<b>\$14,803</b>	<b>\$0</b>	<b>\$22,205</b>	<b>\$37,008</b>	
<b>Grand Total All Present Law Adjustments</b>				<b>\$55,868</b>						<b>\$49,044</b>

DP 2 - Make ChalleNGe modified positions permanent - executive requests adding a permanent 1.00 FTE position as a part-time substitute teacher. This new position would provide the flexibility for when a regular teacher is out on leave or on active military duty. The funding request is a 60/40 split of federal/state revenue authority

**Program Proposed Budget**

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
General Fund	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Description**

The Montana National Guard Scholarship program was established in the 2001 biennium to offer scholarships as a recruiting and retention tool for the Montana Air and Army National Guard. The program provides scholarships of up to \$500 per semester to enlisted Montana National Guard personnel enrolled as full-time undergraduate students in colleges, universities, or training programs. The primary goals of the program are to assist Montana in increasing its assigned personnel strength in both the Army and Air National Guard and enhance Army and Air National Guard operational readiness to assume both state and federal active duty missions.

**Program Highlights**

National Guard Scholarship Program Major Budget Highlights	
<ul style="list-style-type: none"> <li>Executive proposes to discontinue funding for the scholarship program</li> </ul>	

**Program Narrative**

The Fifty-sixth Legislature first established the Montana National Guard Scholarship program as a recruiting and retention tool for the Montana National Guard personnel. The scholarship program was to provide a \$500 direct cash payment to each National Guard personnel after the completion of each semester of school (defined as a full-time undergraduate student in colleges, universities, or training programs). Funding for the program has been a biennial, one-time-only general fund appropriation of \$250,000 each biennium, since enacted in the 2001 biennium. In the 2007 biennium, the executive has proposed eliminating the scholarship program.



### Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	34.30	3.00	0.00	37.30	3.00	0.00	37.30	37.30
Personal Services	1,781,009	127,738	0	1,908,747	130,827	0	1,911,836	3,820,583
Operating Expenses	3,978,869	1,199,169	0	5,178,038	1,325,992	0	5,304,861	10,482,899
Equipment	90,923	0	0	90,923	0	0	90,923	181,846
<b>Total Costs</b>	<b>\$5,850,801</b>	<b>\$1,326,907</b>	<b>\$0</b>	<b>\$7,177,708</b>	<b>\$1,456,819</b>	<b>\$0</b>	<b>\$7,307,620</b>	<b>\$14,485,328</b>
General Fund	1,179,286	15,240	0	1,194,526	33,716	0	1,213,002	2,407,528
State/Other Special	0	26,300	0	26,300	101,300	0	101,300	127,600
Federal Special	4,671,515	1,285,367	0	5,956,882	1,321,803	0	5,993,318	11,950,200
<b>Total Funds</b>	<b>\$5,850,801</b>	<b>\$1,326,907</b>	<b>\$0</b>	<b>\$7,177,708</b>	<b>\$1,456,819</b>	<b>\$0</b>	<b>\$7,307,620</b>	<b>\$14,485,328</b>

### Program Description

The Army National Guard (ARNG) until federalized, is a state military organization, which provides trained and equipped military units for use in the event of a state or national emergency. The Federal/State Cooperative Agreement provides funding for facilities management, environmental, and communications support to the organization by: 1) providing professional and skilled personnel for the administration, planning, and execution of statewide repair and maintenance functions on facilities and training areas; 2) planning, programming, and contracting for construction; 3) ensuring all activities and facilities comply with environmental regulations; and 4) providing state-wide communication services, security contracts, and leases for buildings and land used by the Army National Guard. The program is mandated by the U.S. and Montana constitutions and Title 10, Chapters 1-3, MCA.

### Program Highlights

Army National Guard Program Major Budget Highlights	
<ul style="list-style-type: none"> <li>Increases of \$2.8 million over the biennium consist of a 94 percent increase in federal funds, a 2 percent increase in general fund, and a 4 percent increase in state special revenue. These increases over the biennium are primarily due to: <ul style="list-style-type: none"> <li>\$604,000 for continued compliance with environmental regulations</li> <li>Continued appropriation for the distance learning center and the communication backbone of \$1.0 million</li> <li>Federal special revenues for on-going maintenance and repairs of \$1.0 million</li> <li>Funding for the opening of 10 different facilities or additions to existing facilities in FY 2005 or FY 2006, including utilities, janitorial services, and added maintenance personnel of \$336,856</li> </ul> </li> </ul>	

<p style="text-align: center;"><b>Major LFD Issues</b></p> <ul style="list-style-type: none"> <li>• Ongoing implementation and cost associated with the Montana distance-learning network</li> </ul>
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**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table						
Army National Guard Pgm						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 1,179,286	20.2%	\$ 1,194,526	16.6%	\$ 1,213,002	16.6%
02101 Distance Learning	-	-	25,000	0.3%	100,000	1.4%
02343 Armory Rental Funds	-	-	1,300	0.0%	1,300	0.0%
03132 National Guard	<u>4,671,515</u>	<u>79.8%</u>	<u>5,956,882</u>	<u>83.0%</u>	<u>5,993,318</u>	<u>82.0%</u>
Grand Total	<u>\$ 5,850,801</u>	<u>100.0%</u>	<u>\$ 7,177,708</u>	<u>100.0%</u>	<u>\$ 7,307,620</u>	<u>100.0%</u>

The Army National Guard program is primarily funded with a combination of general fund and federal funds. Funding depends on how a facility is used and the costs to operate and maintain a facility, and can be funded: 1) entirely with state funds; 2) entirely with federal funds; or 3) as a shared responsibility, with federal funds at 75 percent and general fund at 25 percent (service contract buildings). When a facility is owned by the state and located on state land, maintenance costs are the responsibility of the state and utility costs are split evenly with the federal government. When a facility is state owned but located on federal land, the maintenance costs are funded 75 percent federal and 25 percent general fund, but utility costs are funded 100 percent general fund. When a facility is classified as a logistics facility, the funding is 100 percent federal funds for the entire facility. Federally owned facilities located on federal land and those that serve a training mission are predominantly funded 100 percent with federal funds, except when the building is used as an armory. Armories constructed with federal funds and located on federal land are funded 100 percent general fund for maintenance and 50 percent federal and 50 percent general fund for utilities costs. When armories are rented to groups, the state special revenue funds generated from rental fees are used to augment general fund support of the facilities.

During the base year, general fund accounted for 20 percent of overall expenditures within the Army National Guard program.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				121,388						124,605
Vacancy Savings				(76,095)						(76,225)
Inflation/Deflation				53,759						42,029
Fixed Costs				(6,594)						(15,391)
<b>Total Statewide Present Law Adjustments</b>				<b>\$92,458</b>						<b>\$75,018</b>
DP 3 - ARNG Utilities at New Locations	0.00	2,639	0	56,365	59,004	0.00	8,186	0	117,168	125,354
DP 4 - Janitorial Service at New Locations	0.00	8,340	0	12,660	21,000	0.00	13,620	0	13,380	27,000
DP 5 - ARNG Facilities Maintenance Employees	2.00	13,062	0	39,184	52,246	2.00	13,066	0	39,195	52,261
DP 6 - ARNG Janitorial at Existing Locations	0.00	5,625	0	24,375	30,000	0.00	5,625	0	24,375	30,000
DP 9 - Distance Learning State Special Spending Authority	0.00	0	25,000	0	25,000	0.00	0	100,000	0	100,000
DP 11 - Range Maintenance Employee	1.00	0	0	30,199	30,199	1.00	0	0	30,186	30,186
DP 13 - Environmental Program Operations	0.00	0	0	302,000	302,000	0.00	0	0	302,000	302,000
DP 14 - Communications 100% Federal Authority Increase	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 15 - ARNG Additional Federal Spending Authority	0.00	0	0	515,000	515,000	0.00	0	0	515,000	515,000
<b>Total Other Present Law Adjustments</b>	<b>3.00</b>	<b>\$29,666</b>	<b>\$25,000</b>	<b>\$1,179,783</b>	<b>\$1,234,449</b>	<b>3.00</b>	<b>\$40,497</b>	<b>\$100,000</b>	<b>\$1,241,304</b>	<b>\$1,381,801</b>
Grand Total All Present Law Adjustments				\$1,326,907						\$1,456,819

DP 3 - ARNG Utilities at New Locations - The executive request proposes to fund utility expenditures to support new facilities that began operating partially through the base year or will start operations next year, and are derived as follows:

- The Civil Support Team (CST) Armory is funded 75 percent federal funds and 25 percent general fund and is considered a service contract building. Spending authority is requested at \$10,555 per year
- The Havre Armory addition and the Dillon Armory are funded 50 percent general fund and 50 percent federal funds. These two facilities were built with federal money on federal land and are only reimbursed from the federal government 50 percent for utilities cost. Spending authority is requested at \$11,094 in FY 2007
- There are seven federal facilities located on federal land that will be funded 100 percent with federal special revenue, including: 1) tool recycling facility; 2) Kalispell armed forces reserve center (AFRC); 3) engineer maintenance facility; 4) Billings AFRC addition; 5) Billings organizational maintenance shop (OMS) addition; 6) Kalispell OMS addition; and 7) army aviation support facility addition. The request for federal special revenue for utilities expenditures in FY 2006 is \$48,449 and is \$103,705 in FY 2007

DP 4 - Janitorial Service at New Locations - This executive requests additional federal special revenue and general fund authority to support a basic level of janitorial services at the three new armories located at Dillon, Kalispell, and Fort Harrison, which have been constructed or will be constructed after the base year. The department uses contracted janitorial services for cleaning of department maintained facilities.

DP 5 - ARNG Facilities Maintenance Employees - This proposal requests two additional FTE to assist in maintaining the facilities operated and maintained by the department. The additional staff requested would include a heating ventilating and air conditioning technician and a painter. Funding authority is 75 percent federal funds and 25 percent general fund.

DP 6 - ARNG Janitorial at Existing Locations - The executive requests additional janitorial services for the Helena Armed Forces Reserve Center. The department uses contracted janitorial services for cleaning of the department. The current contract does not provide certain basic levels of cleaning that include emptying of wastebaskets, vacuuming of office carpet, or occasional dusting. The requested additional funding would provide for this increased level of service.

DP 9 - Distance Learning State Special Spending Authority - The executive requests additional state special revenue authority to continue implementation of shared usage of the Montana National Guard Distance Learning Network. The funds would be used to repair and maintain equipment and facilities. The shared use will be by state agencies; local governments and other authorized groups.

#### **LFD ISSUE**

The distance-learning network is a fiber optic network linking the armories of Montana together with the possibility of sharing their resources with other state agencies, local governments, and other authorized groups. The intended purpose of the network is to provide local training for national guard personnel in a classroom setting and to serve as a communication backbone for the national guard in providing day-to-day, voice, data, and video. Each training classroom is set up with individual workstations connected via the fiber optic network throughout Montana, with the goal on a national level to connect all military installations on the network for future collaborations on training programs. Funding for the distance-learning network is provided by the federal/state master cooperative agreement. All funding for the implementation of the project was paid by the federal government at \$16,000 per classroom, with a shared usage rate fee assessed on local, state, and other authorized groups for use of the network and equipment. The rate schedule will be used to reimburse federal funds for shared usage and for replacement equipment on a life cycle cost model.

The Federal government paid for all the costs of the network and makes it available for use by other entities for a fee. Therefore, the federal government provides an opportunity to the state to access a network with wide distribution and anticipates usage of and reimbursement by other entities for that use. This concept is called "shared usage".

The implementation of the distance-learning network project after four years of funding still has many unknowns. The planned network within the borders of Montana was to link together the 23 Montana National Guard armories located throughout Montana. All proposed usage hours and reimbursements after four years are still not completed and without any actual historical data. In the 2003 biennium the agency stated that there would be 28 operational classrooms available for widespread for-fee use in FY 2003, and they were re-working the proposed fee structure for recovering shared usage costs. The full implementation of the distance-learning network is two years behind schedule and with two fewer operational classrooms than originally planned. The legislature has already appropriated \$635,000 in funding authority and, with the additional decision package for the 2007 biennium, if approved, appropriations to date would total \$760,000.

Existence of the network provides an opportunity for a number of entities in the state. However, until completion, including completion of the fee structure, the full potential cannot be either gauged or realized. Therefore, the legislature may wish to require the agency to provide an update on the system, when shared usage rates will be available, and potential uses of the network by state entities.

Option A- Require that the Department of Military provide an update on the current status of the project, when the shared usage rates will be determined, and the potential uses of the network by state agencies.

DP 11 - Range Maintenance Employee - The executive requests additional federal special revenue to make an existing modified position (Targetry and Range Maintenance employee) a full time permanent position. Expenditures for a modified position are not included in the base.

DP 13 - Environmental Program Operations - The executive requests additional federal authority for the environmental program to comply with all state and federal environmental laws and requirements. The funding request would be used to sustain the permanent ongoing needs of the environmental compliance program in the areas of: hazardous waste disposal, spill response supplies, environmental documentation of new activities, facility management plans, natural resource studies, and unexploded ordinance remediation.

DP 14 - Communications 100% Federal Authority Increase - The executive is requesting federal spending authority to maintain the statewide network that supports daily operations with voice, video, and data traffic, and the Montana National Guard Distance Learning Network. The request also provides for the use of commercial voice telephone service, cellular telephone service, maintenance, and technical support contracts, and procurement of replacement telecommunications equipment and repair materials.

DP 15 - ARNG Additional Federal Spending Authority - This proposal requests additional federal revenue authority in the amount of \$515,000 per year for ongoing repair and maintenance costs for federal buildings on federal land. The funding authority requested would be used for completion of ongoing projects, including: roof repairs, asphalt crack sealing and seal coats, heating and ventilation system repairs and replacement, and upgrades and enhancements to security fencing, door and window hardware, and other items.

### Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	33.00	0.00	0.00	33.00	0.00	0.00	33.00	33.00
Personal Services	1,381,307	381,250	0	1,762,557	385,209	0	1,766,516	3,529,073
Operating Expenses	1,125,266	170,501	0	1,295,767	159,366	0	1,284,632	2,580,399
<b>Total Costs</b>	<b>\$2,506,573</b>	<b>\$551,751</b>	<b>\$0</b>	<b>\$3,058,324</b>	<b>\$544,575</b>	<b>\$0</b>	<b>\$3,051,148</b>	<b>\$6,109,472</b>
General Fund	281,946	30,989	0	312,935	28,245	0	310,191	623,126
Federal Special	2,224,627	520,762	0	2,745,389	516,330	0	2,740,957	5,486,346
<b>Total Funds</b>	<b>\$2,506,573</b>	<b>\$551,751</b>	<b>\$0</b>	<b>\$3,058,324</b>	<b>\$544,575</b>	<b>\$0</b>	<b>\$3,051,148</b>	<b>\$6,109,472</b>

### Program Description

The Air National Guard program, until federalized, is a state military organization, which provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides for administrative, facilities maintenance, security, and fire protection support to the Air National Guard base at Gore Hill near Great Falls. The Air National Guard Program operates under both federal and state mandates in accordance with its dual missions and is mandated by the United States and Montana Constitutions and Title 10, Chapter 1-3, MCA.

### Program Highlights

Air National Guard Program Major Budget Highlights	
<ul style="list-style-type: none"> <li>Increases of \$1.1 million over the biennium consist of a 95 percent increase in federal funds and a 5 percent increase in general fund. These increases are primarily due to: <ul style="list-style-type: none"> <li>Air National Guard firefighter overtime of \$537,000</li> <li>Air National Guard security increases of \$288,000</li> <li>\$270,000 in statewide present law adjustments</li> </ul> </li> </ul>	

### Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Air National Guard Pgm						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 281,946	11.2%	\$ 312,935	10.2%	\$ 310,191	10.2%
03132 National Guard	<u>2,224,627</u>	<u>88.8%</u>	<u>2,745,389</u>	<u>89.8%</u>	<u>2,740,957</u>	<u>89.8%</u>
Grand Total	<u>\$ 2,506,573</u>	<u>100.0%</u>	<u>\$ 3,058,324</u>	<u>100.0%</u>	<u>\$ 3,051,148</u>	<u>100.0%</u>

The Air National Guard program is primarily funded with 75 percent federal funds and 25 percent general fund state match. Personal services costs for firefighters and security services are 100 percent federally funded.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				174,623					178,743
Vacancy Savings				(62,241)					(62,402)
Inflation/Deflation				38,891					30,098
Fixed Costs				(10,773)					(16,710)
<b>Total Statewide Present Law Adjustments</b>				<b>\$140,500</b>					<b>\$129,729</b>
DP 10 - AIR GUARD Firefighter Overtime									
0.00	0	0	268,868	268,868	0.00	0	0	268,868	268,868
DP 12 - AIR GUARD Security									
0.00	0	0	142,383	142,383	0.00	0	0	145,978	145,978
<b>Total Other Present Law Adjustments</b>									
<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$411,251</b>	<b>\$411,251</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$414,846</b>	<b>\$414,846</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$551,751</b>					<b>\$544,575</b>

#### LFD COMMENT

Increases in statewide present law adjustments are primarily because Air National Guard personnel deployed in Iraq in the base year were officially on leave without pay. Present law adjustments fully fund these positions.

DP 10 - AIR GUARD Firefighter Overtime – The executive requests an increase in federal special revenue for overtime pay for state firefighters in the Air National Guard per year. All FLSA overtime must be paid for all firefighter hours worked exceeding 212 in a two-pay period month. The contractual agreement requires these items to be paid when earned.

#### LFD COMMENT

The Air National Guard firefighters have a union contract that stipulates the minimum number of hours to be worked each year is 2,496. All hours in excess of 2,080 are removed from the adjusted base each biennium, thereby creating a decision package each biennium to restore the appropriation for hours in excess of 2,080.

DP 12 - AIR GUARD Security - The executive requests additional spending authority for an increase in contracted security services for the Air National Guard. The Air National Guard uses a security contractor to perform a portion of the security requirements for the Air National Guard base at Gore Hill in Great Falls. The 120<sup>th</sup> fighter wing located in Great Falls is still under a heightened security alert following the September 11, 2001 terrorist attack. This heightened alert requires that two security officers are on duty at all times. Funding for this request previously was through a budget amendment. Funding is 100 percent federal special revenue.

### Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	23.00	0.00	0.00	23.00	0.00	0.00	23.00	23.00
Personal Services	895,934	266,765	0	1,162,699	268,168	0	1,164,102	2,326,801
Operating Expenses	180,156	47,734	0	227,890	31,161	0	211,317	439,207
Equipment	0	0	0	0	0	0	0	0
Grants	1,039,597	0	0	1,039,597	0	0	1,039,597	2,079,194
<b>Total Costs</b>	<b>\$2,115,687</b>	<b>\$314,499</b>	<b>\$0</b>	<b>\$2,430,186</b>	<b>\$299,329</b>	<b>\$0</b>	<b>\$2,415,016</b>	<b>\$4,845,202</b>
General Fund	456,031	173,266	0	629,297	165,833	0	621,864	1,251,161
State/Other Special	14,437	0	0	14,437	0	0	14,437	28,874
Federal Special	1,645,219	141,233	0	1,786,452	133,496	0	1,778,715	3,565,167
<b>Total Funds</b>	<b>\$2,115,687</b>	<b>\$314,499</b>	<b>\$0</b>	<b>\$2,430,186</b>	<b>\$299,329</b>	<b>\$0</b>	<b>\$2,415,016</b>	<b>\$4,845,202</b>

### Program Description

The Disaster and Emergency Services Division duties and responsibilities are provided for under Title 10, Chapter 3, MCA. The division is responsible for the coordination, development and implementation of emergency management planning, mitigation, response, and recovery statewide. This responsibility includes the administration and disbursement of Federal Homeland Security and Emergency Management funds to eligible political subdivisions and tribal nations across the state. The division maintains a 24-hour a day point of contact to coordinate the volunteer, state, and federal response for assistance to political subdivisions and tribal nations in the event of an incident, emergency, or disaster.

### Program Highlights

Disaster and Emergency Services Major Budget Highlights	
<ul style="list-style-type: none"> <li>Increases of \$614,000 over the biennium consist of 45 percent in federal funds and 55 percent general fund. These increases are primarily due to: <ul style="list-style-type: none"> <li>\$535,000 in statewide personal services adjustments</li> <li>Increases in fixed cost assessments of \$79,000</li> </ul> </li> </ul>	
Major LFD Issues	
<ul style="list-style-type: none"> <li>All homeland security funding would be added through budget amendment in the interim without legislative input</li> </ul>	



**LFD  
ISSUE***Homeland Security Funding*

Since the attacks of September 11, 2001, federal funding for homeland security has increased significantly. During the last biennium, Disaster and Emergency Services (DES) received approximately \$46 million in homeland security funding for the State of Montana. Eighty percent of homeland security funding is passed through to the counties for personal protective equipment for those responding to weapons of mass destruction, decontamination equipment, emergency management planning, communication upgrades, and equipping the county for local emergency responses. Appropriation authority for all funding received through homeland security grants was obtained through budget amendments and does not appear in the base. DES has stated that, while funding from the federal government is very likely, they cannot speculate on when or what level of resources will be provided. Consequently, it is the position of the executive that any funds received in the 2007 biennium will once again be requested in a budget amendment during the interim, and no funds are requested in this budget.

The legislature is the appropriations authority in the State of Montana. Budget amendment authority represents a voluntary sharing of that authority with the executive (and other statutorily designated approving authorities) so that federal funds (and some state special revenue funds in an emergency) made available during the interim either are not foregone or do not require a special session to provide the expenditure authorization. Because it gives appropriations authority to entities other than the legislature, statute puts strict limits on when and how these appropriations can be added. Among other conditions, the requesting agency could not have had knowledge of the matter in time for the legislature to act. This provision is also provided in recognition of the legislature's role not only as the constitutional appropriations authority, but also in the establishment of public policy.

The issue for the legislature is whether it wishes to defer to the executive the determination of how a potentially significant amount of federal funds for an issue of national and statewide security and emergency response will be expended.

Option A – Require the Department of Military Affairs to provide a full report on previous, current, and planned expenditures of federal funds for homeland security related activities, including likely policy and funding scenarios. The legislature could then provide policy direction to the executive. The policy direction could be done through either:

- An appropriation of an estimated amount in HB 2, directing how the appropriation could be spent and/or outlining legislative priorities or direction; or
- Policy direction in HB 2 without a specific appropriation.

Option B – Leave all determination of homeland security funding decisions to the executive in the interim.

**LFD  
COMMENT**

For further discussion of homeland security, see Volume 1 of the LFD budget analysis.

## Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Disaster & Emergency Ser						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 456,031	21.6%	\$ 629,297	25.9%	\$ 621,864	25.7%
02335 Des Training Conference	14,437	0.7%	14,437	0.6%	14,437	0.6%
03134 Disaster & Emergency Services	<u>1,645,219</u>	<u>77.8%</u>	<u>1,786,452</u>	<u>73.5%</u>	<u>1,778,715</u>	<u>73.7%</u>
Grand Total	<u>\$ 2,115,687</u>	<u>100.0%</u>	<u>\$ 2,430,186</u>	<u>100.0%</u>	<u>\$ 2,415,016</u>	<u>100.0%</u>

The Disaster and Emergency Services Division is supported with general fund, state special revenue, and federal funds. The disaster coordination functions that provide support to communities and contribute to the overall mission of the division are usually funded on a 50/50 basis with general fund and federal funds. Disaster coordination functions focusing on specifically identified hazards or functions are usually funded 100 percent with federal funds. State special revenue is fee revenue from individuals who attend division-sponsored workshops and conferences and is used to support these functions.

## Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				315,212					316,671
Vacancy Savings				(48,447)					(48,503)
Inflation/Deflation				(18)					(16)
Fixed Costs				47,752					31,177
<b>Total Statewide Present Law Adjustments</b>				\$314,499					\$299,329
<b>Grand Total All Present Law Adjustments</b>				\$314,499					\$299,329

### Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	22.00	1.00	0.00	23.00	1.00	0.00	23.00	23.00
Personal Services	787,666	140,259	0	927,925	140,616	0	928,282	1,856,207
Operating Expenses	399,651	201,468	0	601,119	198,581	0	598,232	1,199,351
Equipment	0	0	75,000	75,000	0	0	0	75,000
Capital Outlay	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$1,187,317</b>	<b>\$341,727</b>	<b>\$75,000</b>	<b>\$1,604,044</b>	<b>\$339,197</b>	<b>\$0</b>	<b>\$1,526,514</b>	<b>\$3,130,558</b>
General Fund	659,551	254	0	659,805	0	0	659,551	1,319,356
State/Other Special	527,766	341,473	75,000	944,239	339,197	0	866,963	1,811,202
Federal Special	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$1,187,317</b>	<b>\$341,727</b>	<b>\$75,000</b>	<b>\$1,604,044</b>	<b>\$339,197</b>	<b>\$0</b>	<b>\$1,526,514</b>	<b>\$3,130,558</b>

### Program Description

The Veterans Affairs Division assists discharged veterans and their families, cooperates with state and federal agencies, promotes the general welfare of veterans, and provides information on veterans' benefits. The program also administers the veterans' cemeteries located at Miles City and at Fort Harrison, in Helena. The Board of Veterans' Affairs is administratively attached to the Department of Military Affairs and operates under a state mandate provided in Title 10, Chapter 2, MCA.

### Program Highlights

Veterans Affairs Program Major Budget Highlights	
<ul style="list-style-type: none"> <li>The increases of \$756,000 over the biennium in state special revenue are primarily due to the following items: <ul style="list-style-type: none"> <li>An increase in operational and maintenance costs for the two cemeteries is \$483,000</li> <li>A mobile service van for outreach program is \$75,000</li> <li>Increases in statewide present law adjustments total \$198,000</li> </ul> </li> </ul>	
Major LFD Issues	
<ul style="list-style-type: none"> <li>Structural imbalance in state special revenue account</li> </ul>	

### Program Narrative

The 2003 Legislature passed SB 401, which altered administration, operations, and service programs for the Montana Veterans' Affairs Division. There were two fiscal impacts from SB 401: 1) A 50-cent "veterans services" fee was enacted on light vehicle registration. The new vehicle registration fee generated \$279,586 in FY 2004 and \$559,173 in FY 2005; and 2) A patriotic license plate was authorized. The license plate has not yet been designed and so no revenue has been collected. Revenues from both fees are deposited into a state special revenue account, which funds 3.0 FTE for additional outreach services. A new veterans' service office was opened in Havre to better serve the "hi-line" and

additional outreach services programs were established at the Montana state prison, Montana state hospital, and the DUI WATCH program. The funding from this special account also provides new and updated technology for the division.

### Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Veterans Affairs Program						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 659,551	55.5%	\$ 659,805	41.1%	\$ 659,551	43.2%
02214 Veterans Affairs Cemeteries	247,425	20.8%	454,128	28.3%	453,715	29.7%
02548 Veterans Affairs Sb401	262,173	22.1%	431,943	26.9%	355,080	23.3%
02550 Ft Harr Va Cemetery Donations	7,995	0.7%	17,995	1.1%	17,995	1.2%
02551 Ft Harr Va Cemetery Plot Allow	6,624	0.6%	16,624	1.0%	16,624	1.1%
02552 Estrn Mt Va Cemetery Plot All	-	-	10,000	0.6%	10,000	0.7%
02553 Estrn Mt Va Cemetery Donations	3,549	0.3%	13,549	0.8%	13,549	0.9%
Grand Total	<u>\$ 1,187,317</u>	<u>100.0%</u>	<u>\$ 1,604,044</u>	<u>100.0%</u>	<u>\$ 1,526,514</u>	<u>100.0%</u>

The Veterans Affairs Division is funded with general fund and state special revenue from SB 401 for all functions within the division except cemetery operations. Veterans cemetery operations are fully funded by state special revenue from donations, veteran license plate fees, and cemetery plot allowances.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
	-----Fiscal 2006-----					-----Fiscal 2007-----			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Total Funds
Personal Services					144,131				144,522
Vacancy Savings					(37,271)				(37,287)
Inflation/Deflation					(3,179)				(3,101)
Fixed Costs					(3,353)				(6,318)
<b>Total Statewide Present Law Adjustments</b>					<b>\$100,328</b>				<b>\$97,816</b>
DP 7 - FTE for the Veterans Cemetery	1.00	0	1,399	0	1,399	1.00	0	1,381	1,381
DP 8 - Continue Cemetery Maintenance	0.00	0	240,000	0	240,000	0.00	0	240,000	240,000
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>\$0</b>	<b>\$241,399</b>	<b>\$0</b>	<b>\$241,399</b>	<b>1.00</b>	<b>\$0</b>	<b>\$241,381</b>	<b>\$241,381</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$341,727</b>				<b>\$339,197</b>

DP 7 - FTE for the Veterans Cemetery - The executive requests adding one full-time employee to operate and maintain the Eastern Montana Veterans Cemetery located in Miles City. Currently the cemetery is operated and maintained through two contracts: one for sexton services, and the other for grounds maintenance and grave excavation. The two contracts total \$32,000 a year. The executive requests 1.00 FTE for both services at an estimated expense of \$34,500, which includes wages, benefits and insurance costs. The current contracts expire June 30, 2005; the FTE would be effective July 1, 2005. This request is funded entirely from the Veterans Affairs Cemeteries Fund.

**LFD  
COMMENT**

In FY 2000, 0.50 FTE was eliminated from Eastern Montana Veterans Cemetery in Miles City that supported the administration, operations, and maintenance of the cemetery, and the Governor opted to have these services maintained through service contacts.

**DP 8 - Continue Cemetery Maintenance** - The executive requests state spending authority of up to \$240,000 a year to operate, maintain, and administer the Eastern Montana State Veterans Cemetery located in Miles City and the Montana State Veterans Cemetery located in Helena. Funding for these requests comes from: 1) The Veterans Affairs Cemeteries fund of \$200,000 a year; and 2) \$10,000 each from donations and plot allowances from Ft Harrison and Eastern Montana for a total of \$40,000 a year.

**LFD  
ISSUE**

The state special revenue account for Eastern Montana cemetery donations has insufficient funds for the proposed executive operations. With a current cash balance of \$2,140 and average donations collected of \$1,039 a year, it appears unlikely that the \$10,000 in donations assumed in the executive budget will be available each year. The proposed executive operations would indicate a proposed structural imbalance in the account.

Figure 1  
Eastern Montana Cemetery Donation Fund  
FY 2002 through FY 2007

Component	Actual FY 2002	Actual FY 2003	Actual FY 2004	Projected FY 2005	Projected FY 2006	Projected FY 2007
Beginning Fund Balance	\$1,491	\$4,553	\$5,198	\$1,601	\$1,921	\$2,241
Revenues	3,062	645	0	1,040	1,040	1,040
Expenditures	0	0	3,597	720	720	720
Ending Fund Balance	<u>4,553</u>	<u>5,198</u>	<u>1,601</u>	<u>1,921</u>	<u>2,241</u>	<u>2,561</u>

**New Proposals**

Fiscal 2006						Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 16 - Purchase a Mobile Veterans Service Van - OTO										
31	0.00	0	75,000	0	75,000	0.00	0	0	0	0
Total	0.00	\$0	\$75,000	\$0	\$75,000	0.00	\$0	\$0	\$0	\$0

**DP 16 - Purchase a Mobile Veterans Service Van - OTO** - The executive requests procuring a mobile veterans service van for the statewide veterans' services outreach program. The new van would primarily be used for creating and processing compensation claims (typically disability and pension) in areas not served by the current outreach program. The new mobile van will be a custom built 24-foot, handicapped accessible vehicle, equipped with two office areas, equipment, and technology capable of completing a veteran's claim for compensation. Funding for this request is the state special revenue account created in SB 401.